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OVERPAYMENTS OF EDUCATION BENEFITS COULD BE REDUCED FOR VETERAN--ETC(11)
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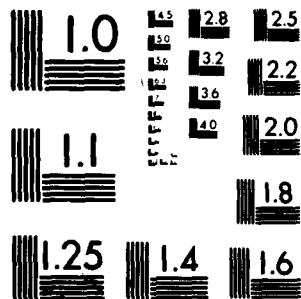
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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

LEVEL

September 30, 1981

B-204903

The Honorable Robert P. Nimmo
Administrator of Veterans Affairs

Dear Mr. Nimmo:

Subject: Overpayments of Education Benefits Could
Be Reduced For Veterans Enrolled In
Noncollege Degree Courses (HRD-81-154)

We made a limited review of the Veterans Administration's (VA's) absence accounting system for veterans enrolled in non-college degree (NCD) courses. Veterans who enroll in NCD courses are allowed a specified number of absences from class during the established training period. For example, veterans approved to attend school 5 days a week for 12 months are authorized 30 absences. Veterans approved to attend classes meeting less frequently are allowed proportionately fewer absences. The veteran is paid his or her regular education and training allowance as long as total absences do not exceed allowable absences. Veterans are generally required to certify their attendance in the program on a quarterly basis. During fiscal year 1980, about 126,000 veterans enrolled in NCD courses were paid benefits totaling about \$226 million.

We found that VA often overpaid veterans in NCD courses because the number of absences taken were more than permitted during the training period. Usually, these overpayments occurred because

- absences taken by the veterans were not recorded or were incorrectly recorded in the veterans' master records,
- VA paid veterans for absences taken early in training before it knew that the veteran would earn the right to those absences by completing training, and
- VA did not withhold a sufficient amount of benefits to offset excess absences reported on the final certification of attendance.

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the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen of the four above-mentioned Committees and the House and Senate Committees on Veterans' Affairs, and the Director, Office of Management and Budget.

We would appreciate being informed of any actions you have taken or plan to take on the matters discussed in this report.

Sincerely yours,

Edward A. Blensmore

for Gregory J. Ahart
Director

Enclosure

OVERPAYMENTS OF EDUCATION BENEFITS
COULD BE REDUCED FOR VETERANS ENROLLED
IN NONCOLLEGE DEGREE COURSES

Educational or subsistence allowances may be paid to veterans pursuing an approved educational program which does not lead to a college degree. Such programs are referred to as noncollege degree (NCD) programs and include vocational or technical post-high-school courses, other vocational or technical courses, farm cooperative courses, and high school training. During fiscal year 1980, about 126,000 veterans enrolled in NCD courses were paid benefits totaling about \$226 million.

EDUCATION BENEFIT AWARDS

Veterans Administration (VA) regional office personnel determine a veteran's eligibility for education benefits. Eligible veterans are awarded educational benefits and a master record for each veteran is maintained at the VA data processing center (DPC) in Hines, Illinois.

For veterans who enroll in NCD courses the maximum number of allowable absences permitted during the training period are established. For example, veterans approved to attend school 5 or more days a week for 12 months are authorized a maximum of 30 absences. Veterans approved to attend classes meeting less frequently are allowed proportionately fewer absences. A veteran enrolled in NCD courses is paid a regular education and training allowance as long as the veteran's total number of absences from classes does not exceed the established allowable absences.

Periodically during training, the DPC sends the veteran a form ("Quarterly Certification of Attendance For Courses Not Leading To A Standard College Degree And Farm Cooperative Courses") which is a computer card showing the veteran's name, address, number of hours and days of approved weekly attendance, and the months for which attendance information is requested. The card is usually issued at 3-month intervals. It requires certification of attendance and absence data for the previous 3 months--a period for which the veteran has already been paid. When the card is issued, a bar to payment is set in the DPC computer and further payments are not made until the card is returned and processed. If the card is not returned within 3 months, the computer suspends the veteran's education benefits and establishes an overpayment in the amount of benefits paid to the veteran during the period indicated on the card. If the card has not been returned within 5 months, the computer terminates the award.

ENCLOSURE I

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The veteran is required to indicate on the card absences from regularly scheduled classes during the reporting period, any premature terminations of training, and address changes. Both the veteran and a school official are required to sign the card certifying the accuracy of the information reported by the veteran. The card is then forwarded to the appropriate VA regional office where the absence data are coded on the card. The card is then sent to the DPC. After the required attendance data are entered into the master record, the payment bar which was established when the certification card was issued is lifted and monthly payments are allowed to resume.

When veterans report more absences than are allowed, the first payment after certification is reduced to recover the amounts paid for the excess absences.

If the full amount due cannot be recovered by reducing the monthly payment, VA converts the unrecovered amount to "unearned absences." Unearned absences are retained in the veteran's master file and are deducted from allowable absences if the veteran re-enters NCD training.

SCOPE, OBJECTIVES, AND METHODOLOGY

We conducted our review to determine the effectiveness of VA's absence accounting procedures. Our work was performed at the VA central office, the VA regional office in Washington, D.C., and at VA's DPC in Hines, Illinois. Our objectives were to (1) determine if procedures were effective in preventing veterans from being paid for more than the allowable number of absences and (2) identify any weaknesses in the system which contributed to overpayments.

At the central office, we interviewed Finance Services' officials and staff to understand VA's absence accounting system and reviewed pertinent legislation, regulations, policy, and operating instructions. At the regional office, we interviewed officials and staff of the finance and adjudication divisions to understand their input into the process and reviewed pertinent operating procedures to understand the process.

At the regional office, we selected a random sample of 155 veterans who had taken or were taking NCD training and had certification cards processed during the first 9 months of 1978. We reviewed the certification cards, claim folders, and a printout of the master record for each of these sample veterans, and we compared the number of absences reported by the veteran and/or the school on the certification card with the number of absences recorded in the master record. In some cases, VA personnel contacted schools to determine the number of absences the veteran took during a specified period to verify the information shown on the certification card.

At the DPC, we interviewed staff who were responsible for processing certification cards and observed processing procedures. We also reviewed a random sample of 394 NCD certification cards processed by the DPC during October 1980 to assure ourselves that a machine malfunction we had noted earlier was corrected.

INEFFECTIVE ABSENCE ACCOUNTING
PROCEDURES CAUSED OVERPAYMENTS

Current procedures were not effectively preventing veterans from being paid for more than the allowable number of absences. Veterans had terminated training in 120 of the 155 cases reviewed and 39 of the 120 veterans were overpaid \$5,160. These overpayments occurred because

- absences taken by the veterans were not recorded or were incorrectly recorded in the veterans' master records,
- VA paid veterans for absences taken early in training before it knew the veteran would earn the right to those absences by completing training, and
- VA did not withhold a sufficient amount of benefits to offset excess absences reported on the final certification card.

Recording absences incorrectly
resulted in overpayments

In 75 of the 155 cases reviewed, the number of absences recorded in the veterans' master record was in error. Clerical errors by finance personnel, machine errors, and improper processing of notices of unscheduled terminations resulted in 471 absences not being recorded. Because the absences were not recorded correctly, in 16 cases veterans were overpaid a total of about \$1,903, in 17 cases unearned absences worth \$1,210 were not established, and in 12 cases, where the veteran was still in training, the potential was created for future overpayments. In the other 30 cases, the unrecorded absences did not result in overpayments or unearned absences.

Clerical errors

Because of clerical errors, 142 reported absences were not recorded. Most absences were not recorded because regional office personnel miscounted or miscoded reported absences.

For example, a clerk failed to include accumulated absences reported by the school when coding the total number of absences on the card. In most cases, the clerk simply miscounted the number of absences reported.

Equipment malfunction resulted
in absences not being recorded

Machine errors resulted in 251 absences not being recorded. Absences were not recorded because equipment at the DPC misread the certification card coding. Consequently, cards were not punched correctly. Later, when data on the card were entered into the master record, the lack of a punch was interpreted as a zero, and a zero was entered into the master record.

While the machine malfunction has been corrected, the problem could reoccur and go undetected because there are no routine edits built into NCD certification card processing procedures to verify that cards are punched correctly. Additionally, regular monthly preventive maintenance which can disclose machine malfunctions, was discontinued several years ago. Maintenance is performed only if requested by the machine operator after a problem is identified.

Improper procedures resulted
in unrecorded absences

Because notices of unscheduled terminations were not handled correctly, 78 absences were not recorded.

Schools are required to notify VA promptly when a veteran terminates training. Notification may be given in one of two ways. If the certification card is due during or immediately after the end of the month in which termination occurred, the unscheduled ending date as well as absence data should be reported on the certification card. If the card is not due, notification should be given on the VA form ("Notice of Change in Student Status - Institutional Courses Only"). VA regulations provide that notice of an unscheduled termination must include an absence report covering the period between the date of the last certification and the unscheduled termination date.

VA instructions provide that benefits should be stopped as quickly as possible after receipt of notice of an unscheduled termination. This is to prevent the creation or increase of an overpayment. The instructions provide, however, that if notice of an unscheduled termination is received without the required information on the number of absences since the last certification, a VA adjudicator should obtain the absence data before terminating benefits. While awaiting the absence information the adjudicator should suspend benefits to prevent further payment.

In some cases, VA received a termination notice without absence information. Adjudicators, contrary to instructions, terminated benefits before obtaining and entering the absence data. Because absences between the date of the last certification and

the premature ending date were not entered into the computer, VA, in some cases, did not establish the correct number of unearned absences.

Fifty-four of the veterans in our sample terminated training before their scheduled ending date. In 19 instances, the school notified VA of the termination using a form which lacked absence data. In 18 of these cases, adjudicators terminated rather than suspended the award before entering the absence data into the computer. In one of the cases where absences were reported, the adjudicator also terminated the award before entering the absence data.

Veterans who terminated early were
sometimes paid for excess absences

Of the 155 veterans in our sample, 120 had terminated training. Of these, 54 (45 percent) ^{1/} terminated before their scheduled ending date. Twelve others (22 percent) dropped out before VA could recover the amounts overpaid for excess absences. These 12 veterans were overpaid about \$1,229.

The payment system for NCD courses permits veterans to be paid for absences taken early in the training period because VA assumes that the veteran will earn the right to these absences by completing training. However, this does not always happen because some veterans drop out of training. Allowable absences are recomputed based on the actual training period. This recomputation frequently results in a situation where the veteran has been paid for more absences than allowed. Since the veteran terminated training and is no longer eligible for benefits for the course, VA cannot recover the overpayment by reduction of a benefit check.

For example, a veteran was approved for training for the July 10, 1978, to February 22, 1979, period. For this length of training, the veteran was allowed 19 absences. On the first certification card (from July 10 to Sept. 30, 1978), the veteran reported 13 absences. Since absences taken did not exceed absences allowed, VA paid the October benefit. Subsequently, the school reported that the veteran dropped out on October 16, 1978. For the actual enrollment period (July 10 to Oct. 16, 1978), VA determined that the veteran was allowed eight absences. However, he had already taken and had been paid for 13 absences. Since the veteran was not entitled to further benefits because he dropped out of training, VA could not recover the money paid for the five excess absences.

^{1/}Of the 54 veterans who terminated before their scheduled ending date, 10 completed training early and 44 dropped out before completing training.

ENCLOSURE I

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VA established five unearned absences and an accounts receivable of \$172.67 for benefits prepaid for the October 17 to 31, 1978, period.

Veterans who completed training were
sometimes paid for excess absences

Sixty-six of the veterans in our sample completed training as scheduled. Four of the 66 (6 percent) reported excess absences on the final certification that could not be offset by the final benefit check. As a result, these veterans were overpaid about \$818. VA converted the individual overpayments to a total of 48 unearned absences.

Normally, the certification of attendance is issued for a 3-month period at the time of payment for the third month. No further payments are made until the returned certification card is processed. When a certification is processed, recurring payments are resumed until a 3-month period is uncertified, or through the next to the last month of the approved training period, whichever occurs first. When payment is released for the next to the last month, a certification is issued to cover the period from the date of the last certification through the date of termination and the bar to payment for the final month is set. Payment for the final month is not released until certification through the termination date is processed.

For example, a veteran was approved for training for the period of October 3, 1977, to March 17, 1978. VA determined that the veteran was entitled to 14 absences during the training period. On the first certification card for the October 3 to December 31, 1977, period, the veteran reported 19 absences, 5 more than the maximum number allowable. VA deducted \$84.40 from the veteran's January 1978 check to recover the amount paid for the excess absences. On the final certification card covering the January 1 to March 17, 1978, period the veteran reported 34 more absences. VA withheld the entire March check, but this was sufficient to recover payment for only 14 absences. The result was that the veteran was overpaid \$335 for 20 excess absences. VA converted the overpayment to 20 unearned absences.

VA DOES NOT ATTEMPT TO COLLECT
OVERPAYMENTS FOR EXCESS ABSENCES

If a veteran reports absences in excess of the maximum number allowable, VA deducts an amount sufficient to cover payment for these excess absences from the veteran's next monthly benefit check.

In some cases, VA cannot deduct an amount sufficient to offset the overpayment for excess absences because the veteran (1) dropped out of training and is not eligible for further checks or (2) completed training and the final check is insufficient to cover the excess absences reported on the final certification. In such cases, the unrecovered amount is converted to unearned absences. These unearned absences are retained in the veteran's master record and are used to reduce allowable absences if the veteran reenters NCD training.

Under VA's current policy no effort is made to collect overpayments for excess absences. Because an accounts receivable is not established, the veteran is not notified that he or she was overpaid. Nor is any deduction made from other VA benefits payable, such as compensation, pension, or educational benefits if the veteran enters any type of training other than NCD.

VETERANS WHO DROPPED TRAINING
WERE OFTEN OVERPAID

Forty-four of the 155 veterans in our sample dropped out of NCD training before completing their courses. VA determined that 34 of the 44 dropouts were overpaid about \$13,000. These overpayments were the result of VA's practice of paying benefits before knowing whether the veteran attended class.

VA's payment procedures allow a veteran to take NCD courses and be paid benefits up to 3 months before being requested to complete and return a certification card. Frequently, the veteran may indicate on the certification card, or the school may otherwise notify VA, that the veteran terminated training sometime during the 3-month period for which he or she had already been paid. In these cases, VA can stop the award effective the date indicated by the veteran or the school, thereby preventing further payments; however, because benefits are paid before certification, an overpayment has been made.

For example, a veteran was approved for training for the July 11 to December 31, 1978, period. Based on the award, VA paid benefits for July 11 through September 30, 1978. A certification card covering this period was included with the payment for September. The certification card was returned and correctly processed, thus permitting regular monthly payments to continue. VA paid benefits for October and November. Subsequently, the school notified VA that the veteran terminated training on October 20, 1978. VA terminated the award effective October 20, but the veteran had already been paid through November 30--an overpayment of \$493.33 covering the October 21 to November 30 period had been made.

VA PLANS POLICY CHANGE

VA officials told us that they plan to change the policy regarding the collection of overpayments due to excess absences. Under the revised policy, overpayments due to excess absences would not be converted to unearned absences, but would be established as an accounts receivable. According to VA officials, the change will be effective for veterans training under chapter 32 1/ sometime in 1981. However, it will not be effective for veterans training under chapters 34 2/ and 35 3/ until 1983 at the earliest. According to VA, the delay is necessitated by reprogramming the automated absence accounting system.

CONCLUSIONS

→ Records of the 120 terminated veterans we reviewed showed that one-third of them were paid for more than their allowable number of absences. Also, because of VA's practice of paying benefits before knowing whether the veteran attended class, many veterans who dropped training were overpaid.

Under VA's current policy no effort is made to collect overpayments for excess absences. Because an accounts receivable is not established, the veteran is not notified that he or she was overpaid. Likewise, no deduction is made from other VA benefits payable, such as compensation, pension, or educational benefits if the veteran enters any type of training other than NCD. If the results of our limited sample are representative of the NCD overpayment problem, it could prove to be a significant amount nationwide.

We believe that most of the overpayments in the NCD program were attributable to weaknesses in the attendance reporting system and that overpayments could be reduced if veterans were required to certify their class attendance monthly rather than quarterly. This procedure would be substantially the same as that now used for veterans taking on-the-job and apprenticeship training. (

1/Post-Vietnam Era Veterans' Educational Assistance.

2/Veterans' Educational Assistance.

3/Survivors' and Dependents' Educational Assistance.

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